

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of East Jordan DDA	County Charlevoix
Fiscal Year End June 30, 2006	Opinion Date December 22, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

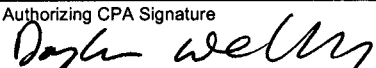
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Douglas Wohlberg CPA		Telephone Number (616) 583-0094	
Street Address PO Box 1013		City Byron Cener	State MI
Zip 49315			
Authorizing CPA Signature 	Printed Name Douglas Wohlberg	License Number 18239	

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2006

City of East Jordan Downtown Development Authority

Contents

For the year ended June 30, 2006

FINANCIAL SECTION

Independent Auditors' Report	1
Management Discussion and Analysis	5 - 7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12 - 13
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16 - 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to Basic Statements	21 - 28
Required Supplementary Information	
Individual Fund Statements	
Major Governmental Funds	
TIFA Fund	
Balance Sheet	30
Budgetary Comparison Schedule	31
2003 Series A Debt Service Fund	
Balance Sheet	32
Budgetary Comparison Schedule	33
1997 Series A Debt Service Fund	
Balance Sheet	34
Budgetary Comparison Schedule	35
1998 Series A Debt Service Fund	
Balance Sheet	36
Budgetary Comparison Schedule	37
2003 Series B Debt Service Fund	
Balance Sheet	38
Budgetary Comparison Schedule	39

City of East Jordan Downtown Development Authority

Contents

For the year ended June 30, 2006

Bike Path Bonds Debt Service Fund	
Balance Sheet	40
Budgetary Comparison Schedule	41
 TIFA Capital Projects Fund	
Balance Sheet	42
Budgetary Comparison Schedule	43
 Bike Path Capital Projects Fund	
Balance Sheet	44
Budgetary Comparison Schedule	45
 OTHER SUPPLEMENTARY INFORMATION	
Long-Term Debt	
\$915,000 Downtown Development Bonds, Series 1997A	50
\$785,000 Downtown Development Bonds, Series 1998A	51
\$210,000 Downtown Development Bonds, Series 2003A	52
\$75,000 Downtown Development Bonds, Series 2003B	53
\$90,000 Downtown Development Bonds, Bike Path	54
 Auditors' Reports	
Communication With Audit Committee or Its Equivalent	57
Management Comments Letter	59
Report on Compliance and on Internal Controls Over Financial Reporting Based on and Audit of Financial Statements Performed in Accordance With Government Auditing Standards	61

INDEPENDENT AUDITORS' REPORT

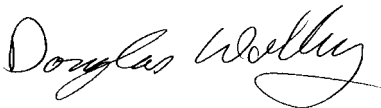
To the Authority Board
City of East Jordan Downtown Development Authority
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of East Jordan Downtown Development Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Jordan Downtown Development Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of East Jordan Downtown Development Authority as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

City of East Jordan Downtown Development Authority

Management's Discussion and Analysis

For the year ended June 30, 2006

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

The Authority as a Whole

The City of East Jordan Downtown Development Authority exists to account for property taxes "captured" in the Downtown Development District of the City of East Jordan. These taxes are used to pay administrative expenses and debt service incurred for projects to improve property and infrastructure in the Authority. The Authority Board is appointed by the City of East Jordan Commission. The Authority is a Component Unit of the City of East Jordan.

The Authority's combined net asset deficit decreased 4.37% from a year ago - from \$1,486,442 to \$1,421,452. This results from reduction of long-term debt.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities	
	2006	2005
Current assets	\$ 14,650	\$ 77,752
Long-term debt outstanding	1,435,000	1,440,000
Other liabilities	1,102	124,194
Total liabilities	1,436,102	1,564,194
Net assets		-
Restricted	13,450	53,953
Unrestricted	(1,434,902)	(1,540,395)
Total net assets	\$ (1,421,452)	\$ (1,486,442)

City of East Jordan Downtown Development Authority

Management's Discussion and Analysis

For the year ended June 30, 2006

The following table shows the changes of the net assets as of June 30, 2006:

	2006	2005
<u>General Revenue</u>		
Property tax	\$ 244,093	\$ 209,097
Unrestricted investment income	3,255	2,717
Miscellaneous	2,500	2,500
Total Revenues	249,848	214,314
<u>Program expenses</u>		
Public works	60,581	30,210
Community and economic development	40,632	135,419
Transfers out	8,800	15,000
Interest on long-term debt	74,845	79,944
Total expenses	184,858	260,573
Change in net assets	\$ 64,990	\$ (46,259)

The Authority's net assets continue to remain as expected. The capital assets purchased with the long-term debt is recorded in the financial statements of the City of East Jordan.

Governmental Activities

The Authority's total governmental revenues increased by \$35,534, resulting from increases in captured property taxes.

Expenses decreased by \$75,715 during the year due primarily to reductions in debt payments..

The Authority's Funds

Our analysis of the Authority's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide detail information about each fund. For clarity, all of the Authority's funds are considered Major Funds. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Authority's major funds for 2006 include the TIFA Special Revenue Fund, the 1997A, 1998A, 2003A, 2003B and Bike Path Debt Service Funds and the TIFA and Bike Path Capital Project Funds.

The TIFA Special Revenue Fund collects property taxes "captured" from properties in the Downtown Development District. This money is used to pay administrative expenses of the Authority and is transferred to the Debt Service Funds.

City of East Jordan Downtown Development Authority

Management's Discussion and Analysis

For the year ended June 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the Authority Board amended the budget to take into account events during the year. No significant changes were made to the original budgets.

Capital Asset and Debt Administration

The Authority has invested significantly in capital assets since its inception. Because the Authority will cease to exist when all debt is retired, these capital assets are recorded on the financial statements of the City of East Jordan.

Economic Factors and Next Year's Budgets and Rates

Significant funding for the Authority comes from property taxes "captured" in the Downtown Development Authority. The Authority has the ability to levy sufficient property tax to make current debt service payments.

With the completion of the Main Street Center project, the Authority has no plans for other significant projects. As a result, Authority wide, activity will be less in the coming year.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Susan Moreau, the City's Treasurer at 201 Main Street, East Jordan, Michigan 49727, telephone (231) 536-3381.

GOVERNMENT WIDE FINANCIAL STATEMENTS

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Statement of Net Assets

For the year ended June 30, 2006

	Governmental activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 13,450
Internal balances	1,200
TOTAL ASSETS	\$ 14,650
<u>LIABILITIES</u>	
Accounts payable	\$ 1,061
Interfund balances	41
Due within one year	128,770
Due in more than one year	1,306,230
TOTAL LIABILITIES	1,436,102
<u>NET ASSETS</u>	
Restricted	13,450
Unrestricted	(1,434,902)
TOTAL NET ASSETS	(1,421,452)
TOTAL LIABILITIES AND NET ASSETS	\$ 14,650

See accompanying notes to basic financial statements.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Statement of Activities

For the year ended June 30, 2006

Functions/Programs	Expenses	Governmental activities
<u>FUNCTIONS/PROGRAMS</u>		
Public works	\$ 60,581	\$ (60,581)
Community and economic development	40,632	(40,632)
Interest on long-term debt	74,845	(74,845)
Total Governmental activities	\$ 176,058	(176,058)
 <u>General Revenues</u>		
Property taxes		244,093
Unrestricted investment income		3,255
Miscellaneous		2,500
Transfers to primary government		(8,800)
Total general revenues - special items and transfers		241,048
 Change in net assets		 64,990
 Net assets at beginning of year		 (1,486,442)
Net assets at end of year		\$ (1,421,452)

See accompanying notes to basic financial statements.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Governmental Funds

Balance Sheet

June 30, 2006

	Special Revenue Fund		Debt Service Funds			
	TIFA Fund	1997A	1998A	2003A	2003B	
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ 98	\$ 100	\$ 99	\$ 79	
Due from other funds	1,200	-	-	-	-	
TOTAL ASSETS	\$ 1,200	\$ 98	\$ 100	\$ 99	\$ 79	
<u>LIABILITIES AND FUND EQUITY</u>						
LIABILITIES						
Accounts payable	\$ 1,061	\$ -	\$ -	\$ -	\$ -	
Due to other funds	41	-	-	-	-	
TOTAL LIABILITIES	1,102	-	-	-	-	
FUND EQUITY						
Reserved for						
Debt service	-	98	100	99	79	
Capital outlay	-	-	-	-	-	
Unreserved	98	-	-	-	-	
TOTAL FUND BALANCES	98	98	100	99	79	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,200	\$ 98	\$ 100	\$ 99	\$ 79	

See accompanying notes to basic financial statements.

Capital Projects Fund			
Bike Path	TIFA	Bike Path	Total
\$ 100	\$ -	\$ 12,974	\$ 13,450
-	-	-	1,200
\$ 100	\$ -	\$ 12,974	\$ 14,650

\$ -	\$ -	\$ -	\$ 1,061
-	-	-	41
-	-	-	1,102

100	-	-	476
-	-	12,974	12,974
-	-	-	98
100		12,974	13,548
\$ 100	\$ -	\$ 12,974	\$ 14,650

See accompanying notes to basic financial statements.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2006

Total fund balances - total governmental funds		\$	13,548
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2006 were:			
Bonds payable			(1,435,000)
Net assets of governmental activities	\$	(1,421,452)	

See accompanying notes to basic financial statements.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2006

	Special Revenue Fund	Debt Service Funds			
	TIFA Fund	1997A	1998A	2003A	2003B
REVENUE					
Property taxes					
Current real property taxes	\$ 244,093	\$ -	\$ -	\$ -	\$ -
Interest and rentals					
Interest	3,127	-	-	-	-
Other revenue					
Other	2,500	-	-	-	-
TOTAL REVENUE	249,720	-	-	-	-
EXPENDITURES					
Current					
Public works	73,864	-	-	-	-
Debt Service	-	82,430	71,200	9,765	18,000
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	73,864	82,430	71,200	9,765	18,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	175,856	(82,430)	(71,200)	(9,765)	(18,000)
OTHER FINANCING SOURCES (USES)					
Transfer in	1,200	82,430	71,200	9,765	18,000
Transfer out	(200,333)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(199,133)	82,430	71,200	9,765	18,000
NET CHANGE IN FUND BALANCES	(23,277)	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	23,375	98	100	99	79
FUND BALANCES, END OF YEAR	\$ 98	\$ 98	\$ 100	\$ 99	\$ 79

See accompanying notes to basic financial statements.

Capital Projects Fund			
Bike Path	TIFA	Bike Path	Total
\$ -	\$ -	\$ -	\$ 244,093
-	129	-	3,256
-	-	-	2,500
-	129	-	249,849
-	-	-	73,864
8,938	-	-	190,333
-	-	40,631	40,631
8,938	-	40,631	304,828
(8,938)	129	(40,631)	(54,979)
8,938	-	25,838	217,371
-	(25,838)	-	(226,171)
8,938	(25,838)	25,838	(8,800)
-	(25,709)	(14,793)	(63,779)
100	25,709	27,767	77,327
\$ 100	\$ -	\$ 12,974	\$ 13,548

See accompanying notes to basic financial statements.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2006

<hr/>		
Net change in fund balances - total governmental funds	\$	(63,779)
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		128,769
Change in net assets of government activities	\$	64,990
<hr/>		

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of East Jordan Downtown Development Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Jordan Downtown Development Authority:

A. Reporting Entity

The City of East Jordan Downtown Development Authority was incorporated under the provisions of Act 197, P.A. 1975 as amended (the "DDA Act"). The Authority is organized to collect tax increment revenue and to implement improvements in a designated geographic area of the City of East Jordan. The Authority has a seven member board that is appointed by the City of East Jordan Commission. The Authority is considered a component unit of the City of East Jordan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Authority has no business-type funds or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Authority has no proprietary or fiduciary funds.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of East Jordan Downtown Development Authority's property tax is levied on each July 1 on the taxable valuation of property (as defined by State statutes) located in the City of East Jordan Downtown Development Authority as of the preceding December 31st.

Although the City of East Jordan Downtown Development Authority's 2005 ad valorem tax is levied and collectible on each July 1, it is the City of East Jordan Downtown Development Authority's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The Authority reports the following major governmental funds:

Special Revenue Fund:

TIFA Fund

Debt Service Funds:

1997 Series A

1998 Series A

2003 Series A

2003 Series B

Bike Path

Capital Project Funds:

TIFA Capital Projects Fund

Bike Path Capital Projects Fund

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on July 31, at which time penalties and interest are assessed.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Capital Assets--Capital assets acquired by the Authority are recorded in the financial statements of the City of East Jordan.

Long-Term Obligations--In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activity statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data and Reclassifications--Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before May 1, the City Administrator and the Authority submits to the City Commission, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City Hall to obtain taxpayer comments.

On or before June 30, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.

Budgeted amounts are presented as originally adopted, or as amended by the City Commission before June 30.

Budgets as presented for the Special Revenue Fund, Debt Service Funds and Capital Project Funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Commission throughout the operating year.

The City Commission legally adopts budgets for the Special Revenue Fund, Debt Service Funds and Capital Project Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Authority Board.

The legal level of control is at the fund expenditure totals for all funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Note 2 - DEPOSITS AND INVESTMENTS

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Authority's deposits are in accordance with statutory authority.

As of June 30, 2005, the Authority had the following deposits.

Huntington National Bank	\$	13,172
Charlevoix State Bank		278
Total	\$	13,450

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer. More than five percent of the Authority's deposits are in the Huntington National Bank. This deposit is 99.6% of the Authority's total deposits.

At year end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	\$ 13,450

The deposits of the Authority are pooled with the deposits of the City of East Jordan. Because of this, it is not feasible to determine the insured amount of the Authority's deposits.

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
Equipment Fund - City of East Jordan	TIFA Special Revenue Fund	\$ 41

Interfund Transfers

Transfers In	Transfers Out				Total
	TIFA Special Revenue Fund	TIFA Capital Projects Fund	Water Fund		
Series 1997A Debt Service Fund	\$ 82,430	\$ -	\$ -	\$	82,430
Series 1998A Debt Service Fund	71,200	-	-		71,200
Series 2003A Debt Service Fund	9,765	-	-		9,765
Series 2003B Debt Service Fund	18,000	-	-		18,000
Bike Path Debt Service Fund	8,938	25,838	-		34,776
City of East Jordan Rehabilitation Fund	10,000	-	-		10,000
TIFA Fund	-	-	1,200		1,200
Total	\$ 200,333	\$ 25,838	\$ 1,200	\$	227,371

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 4 - LONG-TERM DEBT

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority and of the City of East Jordan.

Bond and contractual obligation activity can be summarized as follows:

	Interest rate	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2006	Due within one year
\$915,000 1997 Series A	5.1000 %	\$ 630,000	\$	\$ 50,000	\$ 580,000	\$ 50,000
\$785,000 1998 Series A	4.6250 %	560,000		45,000	515,000	50,000
\$210,000 2003 Series A	4.6500 %	210,000			210,000	
\$75,000 2003 Series B	5.0000 %	60,000		15,000	45,000	20,000
\$85,000 Street Light Contract	5.1500 %	13,770		13,770		
\$90,000 Bike Path Bonds	4.5000 %	90,000		5,000	85,000	5,000
Totals	%	\$ 1,563,770	\$	\$ 128,770	\$ 1,435,000	\$ 125,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year ended June 30,	Principal	Interest	Total
2007	\$ 125,000	\$ 69,126	\$ 194,126
2008	140,000	62,926	202,926
2009	140,000	56,108	196,108
2010	145,000	49,380	194,380
2011	150,000	42,416	192,416
2012	155,000	35,156	190,156
2013	165,000	27,662	192,662
2014	170,000	19,708	189,708
2015	175,000	11,476	186,476
2016	20,000	3,255	23,255
2017	25,000	2,325	27,325
2018	25,000	1,162	26,162
Totals	\$ 1,435,000	\$ 380,700	\$ 1,815,700

Total interest expense incurred for the Authority for the year was \$74,845

NOTE 5 - RISK MANAGEMENT

The City of East Jordan Downtown Development Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of East Jordan Downtown Development Authority, as a component unit of the City of East Jordan, participates in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

City of East Jordan

Charlevoix County, Michigan

TIFA Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ -	\$ 23,799
Due from other funds	1,200	-
TOTAL ASSETS	\$ 1,200	\$ 23,799
<u>LIABILITIES AND FUND EQUITY</u>		
Accounts payable	\$ 1,061	\$ -
Due to other funds	41	123
Payroll deductions payable	-	301
TOTAL LIABILITIES	1,102	424
<u>FUND EQUITY</u>		
Fund balance	98	23,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,200	\$ 23,799

City of East Jordan

Charlevoix County, Michigan

TIFA Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
REVENUE					
Property taxes	\$ 220,000	\$ 244,093	\$ 244,093	\$ -	\$ 209,097
Interest and dividends	1,000	2,500	3,127	627	1,745
Other	100	100	2,500	2,400	2,500
TOTAL REVENUE	221,100	246,693	249,720	3,027	213,342
EXPENDITURES					
Department of public works					
Salaries and wages	3,150	3,150	3,351	(201)	4,022
Payroll taxes	212	212	279	(67)	315
Supplies	2,100	2,100	3,092	(992)	2,549
Contractual services	38,650	54,743	42,975	11,768	16,244
Education	-	-	40	(40)	-
Utilities	1,500	2,000	1,653	347	1,471
Repairs and maintenance	3,500	12,000	7,571	4,429	3,785
Rent	1,500	2,000	1,620	380	1,824
Capital outlay	1,000	1,000	-	1,000	-
Debt service					
Principal	14,810	14,810	12,640	2,170	13,430
Interest expense	-	-	643	(643)	1,380
TOTAL EXPENDITURES	66,422	92,015	73,864	18,151	45,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	154,678	154,678	175,856	21,178	168,322
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	1,200	1,200	-
Transfers out	(201,433)	(201,433)	(200,333)	1,100	(193,544)
TOTAL OTHER FINANCING SOURCES (USES)	(201,433)	(201,433)	(199,133)	2,300	(193,544)
NET CHANGE IN FUND BALANCES	(46,755)	(46,755)	(23,277)	23,478	(25,222)
Fund balance beginning of year	23,375	23,375	23,375	-	48,597
Fund balance end of year	\$ (23,380)	\$ (23,380)	\$ 98	\$ 23,478	\$ 23,375

City of East Jordan

Charlevoix County, Michigan

2003 Series A Debt Service Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 99	\$ 99
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 99	\$ 99

City of East Jordan

Charlevoix County, Michigan

2003 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget		Final budget		2006		Variance with final budget		2005	
<u>EXPENDITURES</u>										
Interest	\$	9,865	\$	9,865	\$	9,765	\$	100	\$	9,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
		(9,865)		(9,865)		(9,765)		100		(9,765)
<u>OTHER FINANCING SOURCES (USES)</u>										
Transfers in		9,865		9,865		9,765		(100)		9,765
NET CHANGE IN FUND BALANCES										
		-		-		-		-		-
Fund balance beginning of year		99		99		99		-		99
Fund balance end of year	\$	99	\$	99	\$	99	\$	-	\$	99

City of East Jordan

Charlevoix County, Michigan

1997 Series A Debt Service Fund

Balance Sheet

June 30, 2006

	2006	2005
ASSETS		
Cash	\$ 98	\$ 98
LIABILITIES AND FUND EQUITY		
FUND EQUITY		
Fund balance	\$ 98	\$ 98

City of East Jordan

Charlevoix County, Michigan

1997 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
EXPENDITURES					
Debt service					
Principal	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 45,000
Interest	32,130	32,130	32,130	-	34,425
Fees	500	500	300	200	300
TOTAL EXPENDITURES	82,630	82,630	82,430	200	79,725
EXCESS (DEFICIENCY) OF REVENUES OVER					
EXPENDITURES	(82,630)	(82,630)	(82,430)	200	(79,725)
OTHER FINANCING SOURCES (USES)					
Transfers in	82,630	82,630	82,430	(200)	79,725
NET CHANGE IN FUND BALANCES	-	-	-	-	-
Fund balance beginning of year	98	98	98	-	98
Fund balanceFund balance end of year	\$ 98	\$ 98	\$ 98	\$ -	\$ 98

City of East Jordan

Charlevoix County, Michigan

1998 Series A Debt Service Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 100	\$ 100
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 100	\$ 100

City of East Jordan

Charlevoix County, Michigan

1998 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
EXPENDITURES					
Debt service					
Principal	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	\$ 45,000
Interest	25,900	25,900	25,900	-	27,981
Fees	500	500	300	200	300
TOTAL EXPENDITURES	71,400	71,400	71,200	200	73,281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(71,400)	(71,400)	(71,200)	200	(73,281)
OTHER FINANCING SOURCES (USES)					
Transfers in	71,400	71,400	71,200	(200)	73,281
NET CHANGE IN FUND BALANCES	-	-	-	-	-
Fund balance beginning of year	100	100	100	-	100
Fund balance end of year	\$ 100	\$ 100	\$ 100	\$ -	\$ 100

City of East Jordan

Charlevoix County, Michigan

2003 Series B Debt Service Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 79	\$ 79
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 79	\$ 79

City of East Jordan

Charlevoix County, Michigan

2003 Series B Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
EXPENDITURES					
Debt service					
Principal	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ 10,000
Interest	3,000	3,000	3,000	-	3,500
Fees	100	100	-	100	-
TOTAL EXPENDITURES	18,100	18,100	18,000	100	13,500
EXCESS (DEFICIENCY) OF REVENUES OVER					
EXPENDITURES	(18,100)	(18,100)	(18,000)	100	(13,500)
OTHER FINANCING SOURCES (USES)					
Transfers in	18,100	18,100	18,000	(100)	13,500
NET CHANGE IN FUND BALANCES	-	-	-	-	-
Fund balance beginning of year	79	79	79	-	79
Fund balance end of year	\$ 79	\$ 79	\$ 79	\$ -	\$ 79

City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Debt Service Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 100	\$ 100
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 100	\$ 100

City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
EXPENDITURES					
Debt service					
Principal	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ -
Interest	4,438	4,438	3,938	500	2,273
TOTAL EXPENDITURES	9,438	9,438	8,938	500	2,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(9,438)	(9,438)	(8,938)	500	(2,273)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,438	9,438	8,938	(500)	2,373
NET CHANGE IN FUND BALANCES	-	-	-	-	100
Fund balance beginning of year	100	100	100	-	-
Fund balanceFund balance end of year	\$ 100	\$ 100	\$ 100	\$ -	\$ 100

City of East Jordan

Charlevoix County, Michigan

DDA TIFA Construction Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ -	\$ 25,709
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ -	\$ 25,709

City of East Jordan

Charlevoix County, Michigan

DDA TIFA Construction Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	2006	2005
REVENUE		
Interest and dividends	\$ 129	\$ 972
EXPENDITURES		
Capital outlay	-	73,286
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	129	(72,314)
OTHER FINANCING SOURCES (USES)		
Transfers out	(25,838)	-
NET CHANGE IN FUND BALANCES	(25,709)	(72,314)
Fund balance beginning of year	25,709	98,023
Fund balance end of year	\$ -	\$ 25,709

City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Construction Fund

Balance Sheet

June 30, 2006

	2006	2005
<u>ASSETS</u>		
Cash	\$ 12,974	\$ 27,767
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 12,974	\$ 27,767

City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Construction Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006 with comparative actual amounts for 2005

	Original budget	Final budget	2006	Variance with final budget	2005
<u>EXPENDITURES</u>					
Capital outlay	20,000	45,838	40,631	5,207	62,133
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,000)	(45,838)	(40,631)	5,207	(62,133)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	25,838	25,838	-	-
Bond or note issuance	-	-	-	-	90,000
Transfers out	-	-	-	-	(100)
TOTAL OTHER FINANCING SOURCES (USES)	-	25,838	25,838	-	89,900
NET CHANGE IN FUND BALANCES	(20,000)	(20,000)	(14,793)	5,207	27,767
Fund balance beginning of year	27,767	27,767	27,767	-	-
Fund balance end of year	\$ 7,767	\$ 7,767	\$ 12,974	\$ 5,207	\$ 27,767

OTHER SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$915,000 Downtown Development Bonds, Series 1997A

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1		
2007	5.100%	\$ 50,000	\$ 14,790	\$ 14,790	\$	79,580
2008	5.100%	55,000	13,515	13,515		82,030
2009	5.100%	55,000	12,112	12,112		79,224
2010	5.100%	60,000	10,710	10,710		81,420
2011	5.100%	65,000	9,180	9,180		83,360
2012	5.100%	70,000	7,522	7,522		85,044
2013	5.100%	70,000	5,737	5,737		81,474
2014	5.100%	75,000	3,953	3,953		82,906
2015	5.100%	80,000	2,040	2,040		84,080
Totals		\$ 580,000	\$ 79,559	\$ 79,559	\$	739,118

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$785,000 Downtown Development Bonds, Series 1998A

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
			May 1	November 1	May 1	
2007	4.625%	\$	50,000	\$ 11,909	\$ 11,909	\$ 73,818
2008	4.625%		50,000	10,753	10,753	71,506
2009	4.625%		55,000	9,597	9,597	74,194
2010	4.625%		55,000	8,325	8,325	71,650
2011	4.625%		55,000	7,053	7,053	69,106
2012	4.625%		55,000	5,781	5,781	66,562
2013	4.625%		65,000	4,509	4,509	74,018
2014	4.625%		65,000	3,006	3,006	71,012
2015	4.625%		65,000	1,503	1,503	68,006
Totals		\$	515,000	\$ 62,436	\$ 62,436	\$ 639,872

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$210,000 Downtown Development Bonds, Series 2003A

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1		
2007	4.650%	\$ -	\$ 4,883	\$ 4,882	\$	9,765
2008	4.650%	-	4,883	4,882		9,765
2009	4.650%	20,000	4,883	4,882		29,765
2010	4.650%	20,000	4,418	4,417		28,835
2011	4.650%	20,000	3,963	3,962		27,925
2012	4.650%	20,000	3,488	3,487		26,975
2013	4.650%	20,000	3,023	3,022		26,045
2014	4.650%	20,000	2,558	2,557		25,115
2015	4.650%	20,000	2,083	2,082		24,165
2016	4.650%	20,000	1,628	1,627		23,255
2017	4.650%	25,000	1,163	1,162		27,325
2018	4.650%	25,000	581	581		26,162
Totals		\$ 210,000	\$ 37,554	\$ 37,543	\$	285,097

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$75,000 Downtown Development Bonds, Series 2003B

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1		
2007	5.000%	\$ 20,000	\$ 1,125	\$ 1,125	\$	22,250
2008	5.000%	25,000	625	625		26,250
Totals		\$ 45,000	\$ 1,750	\$ 1,750	\$	48,500

City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$90,000 Downtown Development Bonds, Bike Path

June 30, 2006

Year End	Interest rate	Principal		Interest		Total
		October 1	November 1	April 1		
2007	4.500%	\$ 5,000	\$ 1,913	\$ 1,800	\$	8,713
2008	4.500%	10,000	1,800	1,575		13,375
2009	4.500%	10,000	1,575	1,350		12,925
2010	4.500%	10,000	1,350	1,125		12,475
2011	4.500%	10,000	1,125	900		12,025
2012	4.500%	10,000	900	675		11,575
2013	4.500%	10,000	675	450		11,125
2014	4.500%	10,000	450	225		10,675
2015	4.500%	10,000	225	-		10,225
Totals		\$ 85,000	\$ 10,013	\$ 8,100	\$	103,113

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Authority Board
City of East Jordan Downtown Development Authority
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City of East Jordan Downtown Development Authority, Charlevoix County, Michigan for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 14, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of East Jordan Downtown Development Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

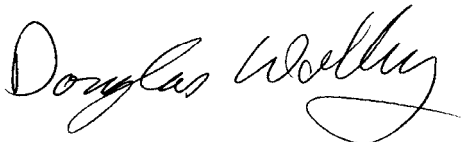
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of East Jordan Downtown Development Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of East Jordan Downtown Development Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by the City of East Jordan Downtown Development Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Authority Board and management of the City of East Jordan Downtown Development Authority and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

MANAGEMENT COMMENTS LETTER

To the Authority Board
City of East Jordan Downtown Development Authority
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the City of East Jordan Downtown Development Authority for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

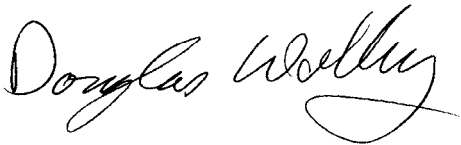
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of East Jordan Downtown Development Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Authority, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2006 financial statements, and this report does not affect our report on those financial statements dated December 22, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Authority Board
City of East Jordan Downtown Development Authority
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City of East Jordan Downtown Development Authority, Charlevoix County, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

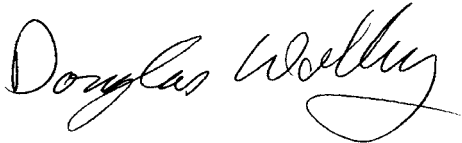
Compliance

As part of obtaining reasonable assurance about whether the City of East Jordan Downtown Development Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Jordan Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 22, 2006